



Advanzia Bank S.A.

Quarterly report, 3rd quarter 2015

As at 30.09.2015

9, rue Gabriel Lippmann
Parc d'Activité Syrdall 2
L-5365 Munsbach
Luxembourg

Register of Commerce: Luxembourg B 109476

Phone: +352 263 875 00

Fax: +352 263 875 99

E-mail: advanzia@advanzia.com

BIC: ADVZLULL

Highlights third quarter 2015

- Gross credit card loan balance of MEUR 745: +6% QoQ and +20% YoY
- Loan loss rate of 4.8%: stable compared to last quarter and 0.3%-points improvement YoY
- After-tax profits of MEUR 8.7 for Q3: +6% QoQ
- Credit card launched in Austria at the end of the quarter: www.free.at
- Continued focus on improving French performance

General economy and market overview

Macroeconomic overview (seasonally adj.)	Actual Q3-2015	Actual Q2-2015	QoQ growth	Actual Q3-2014	YoY growth	Expected 2015	Actual 2014	Yearly growth
Germany								
Unemployment rate (level at end of period)	6,4%	6,4%	0bps	6,7%	-30bps	6,3%	6,5%	-20bps
GDP growth rate (QoQ)	0,4%	0,3%	10bps	0,1%	30bps	2,0%	1,6%	40bps
Private consumption growth rate (QoQ)	0,2%	0,6%	-40bps	0,1%	10bps	1,8%	1,8%	0bps
France								
Unemployment rate (level at end of period)	10,8%	10,3%	50bps	10,5%	30bps	10,2%	10,3%	-10bps
GDP growth rate (QoQ)	0,0%	0,6%	-60bps	0,3%	-30bps	1,2%	0,2%	100bps
Private consumption growth rate (QoQ)	0,1%	0,9%	-80bps	0,3%	-20bps	1,9%	0,7%	120bps
European Central Bank								
ECB key rate	0,05%	0,05%	0bps	0,05%	0bps	0,05%	0,05%	0bps

*French unemployment rate: as of mid of quarter; Expected 2015 & actual 2014: annual % change; GDP & private consumption growth rates as of previous quarter

In the third quarter of 2015, the German economy continued on the steady growth path, while the unemployment rate remained stable at a low level. Furthermore, the consumer and business confidence remained overall good, although possible headwinds could arise from the growth slowdown in the emerging markets economies and the scandal at Volkswagen.

The French economy showed some signs of improvement in Q3, with growth on an upward trajectory, as well as businesses and consumers proving to be more optimistic than in Q2. Nevertheless, the unemployment rate grew by 0.5%-points, up to 10.8%. The ongoing stimulus programme from the ECB (expansionary monetary policy) is expected to have a positive impact on the French economy.

Credit cards

Key figures, (in '000)	Actual Q3-15	Actual Q2-15	QoQ growth	Actual Q3-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
New active cards	36,0	32,1	12%	35,8	1%	104,6	96,5	8%
Germany/Luxembourg	33,4	30,1	11%	30,8	8%	98,2	83,0	18%
France	2,7	2,0	32%	5,0	-46%	6,4	13,5	-53%
Non delinquent active clients (total, after churn)	503,6	483,5	4%	433,7	16%	503,6	433,7	16%
Germany/Luxembourg	485,8	467,3	4%	419,0	16%	485,8	419,0	16%
France	17,8	16,1	11%	14,7	21%	17,8	14,7	21%

Sales in Q3 were decent despite the holiday season. In Germany, Advanzia launched a new version of its website with responsive design making it more suited for mobile devices, and also conducted a summer prize draw campaign. In France, sales activities were further broadened with six new marketing partnerships going live and a number of optimisation measures in credit risk and client on-boarding. Web-site traffic increased 15% on the previous quarter. At the end of September Advanzia launched its credit cards in Austria.

Professional Card Services

Key Figures, PCS clients	Actual Q3-15	Actual Q2-15	QoQ growth	Actual Q3-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Number of banks	6	5	20%	5	20%	6	5	20%
New active cards	175	79	122%	55	218%	466	55	218%
Total cards	615	423	45%		731%	615		731%

The Bank is continuing the development of the programme, and is actively working with numerous prospects.

Deposit accounts

Avanzia maintained its standard rate on Advanziakonto with a 0.90% effective interest rate p.a. during the third quarter. This is approximately 30 BPS lower than the best competitor. The deposit product remains competitive and net inflow was MEUR 17 in the quarter.

Board, management and staff

There have been no changes to Board or management during the quarter.

As at 30.09.2015, Avanzia held 96 full-time equivalent employees, up from 85 at 30.09.2014.

Financial statements

Below are the unaudited accounts for Advanzia as at 30.09.2015. All amounts are in millions of EUR. The Bank follows IFRS accounting principles, and the figures are presented so that they reflect Advanzia's actual business activities and operations. The financial statements for the first half of 2015 have been subject to a limited audit review.

Assets (EUR millions)	Actual Q3-15	Actual Q2-15	QoQ growth	Actual Q3-14	YoY growth
Cash, balances with central banks	50,0	45,0	11%	35,0	43%
Loans and advances to credit institutions	85,9	120,1	-28%	80,5	7%
Loans and advances to credit card clients	745,2	701,3	6%	621,5	20%
Value adjustment (losses)	(40,2)	(39,1)	3%	(34,9)	15%
Net loans and advances to credit card clients	705,0	662,2	6%	586,6	20%
Intangible & tangible assets	1,7	1,7	1%	1,3	27%
Other assets (incl. Tax asset)	1,3	1,2	7%	0,7	99%

SUM ASSETS	843,9	830,2	2%	704,1	20%
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Liabilities and equity (EUR millions)	Actual Q3-15	Actual Q2-15	QoQ growth	Actual Q3-14	YoY growth
Amounts owed to customers	740,9	725,3	2%	624,2	19%
Other liabilities, accruals, provisions	19,1	15,6	22%	10,3	87%
Subordinated loan (AT1)	8,9	9,7	-8%	-	-
Sum liabilities	769,0	750,6	2%	634,5	21%
Subscribed capital	26,4	26,4	0%	25,0	5%
Reserves	11,6	11,5	1%	5,0	131%
Profit (loss) brought forward	26,7	26,8	0%	31,0	-14%
Profit for the financial year (net of interim dividend)	10,2	15,0	-32%	8,5	20%
Sum equity	74,8	79,6	-6%	69,6	8%

SUM LIABILITIES AND EQUITY	843,9	830,2	2%	704,1	20%
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Income statement (EUR millions)	Actual Q3-15	Actual Q2-15	QoQ growth	Actual Q3-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Interest receivable, credit cards	30,5	28,6	7%	25,2	21%	85,9	70,8	21%
Interest receivable and similar income, others	0,0	0,0	249%	0,0	-35%	0,0	0,3	-84%
Interest payable and similar expenses	(1,7)	(1,8)	-5%	(1,6)	7%	(5,2)	(5,5)	-6%
Interest payable, other	(0,1)	(0,0)	474%	-	-	(0,2)	-	-
Net interest margin	28,7	26,8	7%	23,7	21%	80,6	65,6	23%
Commission receivable	3,3	3,0	9%	3,1	7%	9,1	8,6	6%
Commission payable	(2,2)	(2,0)	10%	(1,8)	22%	(6,2)	(5,1)	23%
Other financial items/operating income	0,8	0,7	6%	4,6	-83%	2,0	5,4	-63%
Total income	30,5	28,5	7%	29,6	3%	85,6	74,5	15%
Card acquisition costs	(3,4)	(3,3)	3%	(3,2)	9%	(10,3)	(9,1)	14%
Card operating costs	(2,5)	(2,4)	2%	(2,0)	22%	(7,1)	(6,0)	18%
Staff costs	(2,4)	(2,5)	-3%	(2,1)	14%	(7,2)	(6,2)	17%
Other administrative expenses	(0,8)	(0,8)	-8%	(0,9)	-14%	(2,2)	(2,1)	3%
Depreciation, tangible + intangible assets	(0,2)	(0,2)	2%	(0,2)	13%	(0,7)	(0,6)	14%
Sum operating expenses	(9,3)	(9,3)	0%	(8,4)	11%	(27,6)	(24,1)	15%
Value adjustments	(1,1)	(0,9)	23%	(1,6)	-31%	(3,2)	(5,3)	-38%
Write-offs	(7,9)	(6,8)	16%	(5,6)	42%	(21,4)	(16,3)	31%
Total loan losses	(9,0)	(7,7)	17%	(7,1)	26%	(24,6)	(21,5)	14%
Profit (loss) on ordinary activities before taxes	12,2	11,6	6%	14,1	-13%	33,4	28,9	15%
Income tax and net worth tax	(3,6)	(3,4)	6%	(4,1)	-13%	(9,8)	(8,5)	15%
Profit (loss) for the period	8,7	8,2	6%	10,0	-13%	23,6	20,5	15%

Comments to the accounts

In Q3 2015, the gross loan balance on credit cards grew by MEUR 44, which represents a 6% increase compared to Q2.

Total income in Q3 2015 increased by 7% compared to Q2, landing at MEUR 30.5. This is mainly driven by higher interest income (due to higher loan balance) and higher interchange fee received (driven by an increase in turnover).

Operating expenses remained at the same level in Q3 2015 compared to Q2, with all its components (card acquisition, card operations, staff costs and other expenses) remaining stable.

Loan losses increased by 17 % in Q3 2015 compared to Q2, which is mainly driven by higher write offs. Nevertheless, the YTD growth in loan losses from 2014 to 2015 of 14% is lower than the YTD increase in loan balance and interest income (respectively 20% and 21%).

Avanzia's pre-tax profits increased from MEUR 11.6 in Q2 2015 to MEUR 12.6 in Q3, and increased by 23% Y-o-Y when disregarding the income shift transaction that took place in Q3 2014. The Q3 after-tax profit landed at MEUR 8.7, which is an increase of 6% compared to Q2 2015.

Avanzia paid an interim dividend of MEUR 13.4 in July 2015.

Key performance indicators

Financial ratios	Actual Q3-15	Actual Q2-15	QoQ growth	Actual Q3-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Yield, credit card loans, weighted (%)	18,0%	18,1%	-0,1%-p	18,0%	-0,1%-p	18,1%	18,2%	-0,1%-p
Net interest margin, int. bearing assets, weighted (%)	13,9%	13,7%	0,2%-p	13,7%	0,2%-p	13,7%	12,3%	1,4%-p
Loan loss rate (12 months trailing, credit cards) (%)	4,8%	4,8%	0,1%-p	5,1%	-0,3%-p	4,8%	5,1%	-0,3%-p
Cost/Income (%)	30,5%	32,6%	-2,1%-p	28,3%	2,2%-p	32,2%	32,3%	-0,1%-p
Return on equity (%), annualised	47,0%	43,5%	3,5%-p	56,9%	-9,9%-p	43,5%	38,5%	5,0%-p
Capital adequacy ratio Tier 1 (%) (incl. interim profit)	13,4%	14,5%	-1,2%-p	14,2%	-0,9%-p	13,4%	14,2%	-0,9%-p
Capital adequacy ratio Tier 1 (%) (excl. interim profit)	11,6%	11,8%	-0,2%-p	12,2%	-0,6%-p	11,6%	12,2%	-0,6%-p
Liquidity coverage ratio (LCR) (min 100%)	230,3%	208,6%	21,7%-p	186,5%	43,8%-p	230,3%	186,5%	43,8%-p
Net stable funding ratio (NSFR) (min 100%)	109,8%	114,3%	-4,5%-p	107,4%	2,4%-p	109,8%	107,4%	2,4%-p

Selected market performance indicators

Germany/Luxembourg (EUR millions)	Actual Q3-15	Actual Q2-15	QoQ growth	Actual Q3-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Gross Loan Balance	728,0	685,9	6%	610,5	19%	728,0	610,5	19%
Interest receivable, credit cards	29,9	28,0	7%	24,9	20%	84,3	69,9	21%
Loan Losses	(8,4)	(7,1)	18%	(6,6)	28%	(22,8)	(19,9)	14%
France (EUR millions)	Actual Q3-15	Actual Q2-15	QoQ growth	Actual Q3-14	YoY growth	Actual YTD-15	Actual YTD-14	YTD growth
Gross Loan Balance	17,1	15,5	11%	11,0	56%	17,1	11,0	56%
Interest receivable, credit cards	0,6	0,5	12%	0,4	73%	1,6	0,9	81%
Loan Losses	(0,6)	(0,6)	4%	(0,6)	4%	(1,8)	(1,6)	12%

Outlook

The German macroeconomic environment continues to remain benign and Advanzia is expected to continue its positive development in Germany in Q4 2015 and into 2016. The Bank foresees to implement some significant new B2B contracts, which is expected to have a notable positive impact on growth over time.

The French economy is expected to remain weak also in the last part of 2015, but with signs of a recovery entering 2016. Advanzia continues to invest in development of systems and routines, and some further measures are foreseen to be implemented in Q4 2015. Overall, new client volumes will remain limited in the coming quarter.

Advanzia also continues to develop and tune its operations in Austria, and expect to gradually increase volumes in the coming quarters. Austria represents an additional contribution as well as a diversification for Advanzia.

The bank's financial situation is expected to remain strong, with stable operating costs and loan losses contributing to continued strong earnings growth.

Munsbach, Luxembourg

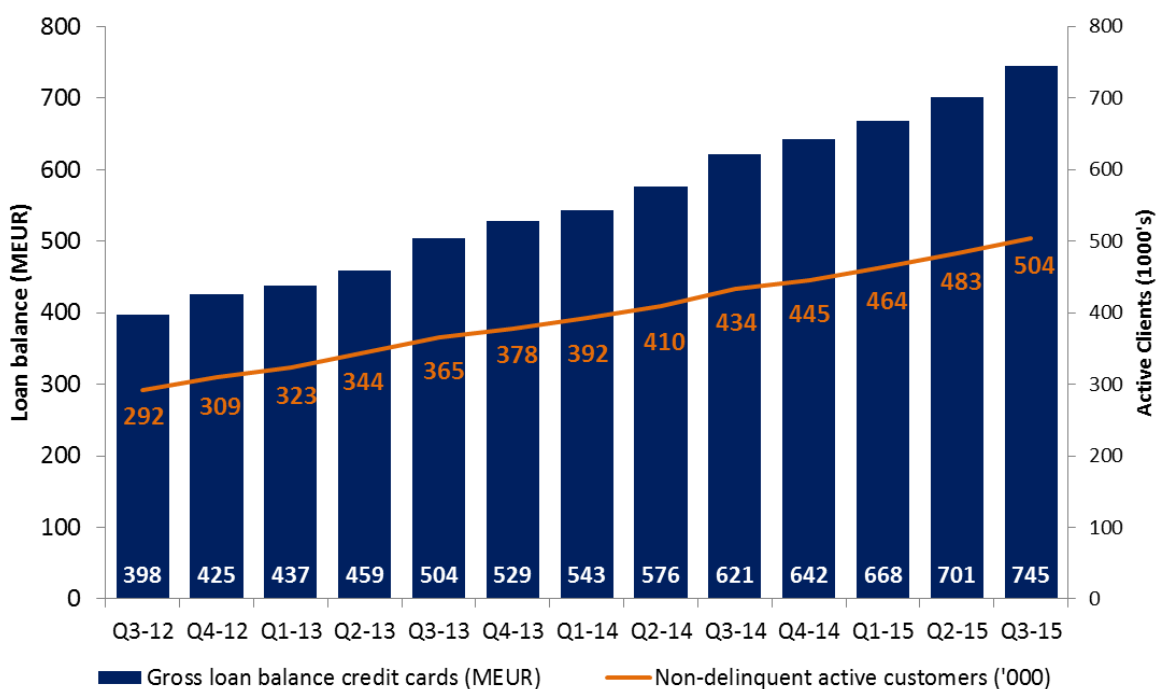
30.10.2015

Eirik Holtedahl
Chief Financial Officer/
Deputy Chief Executive Officer

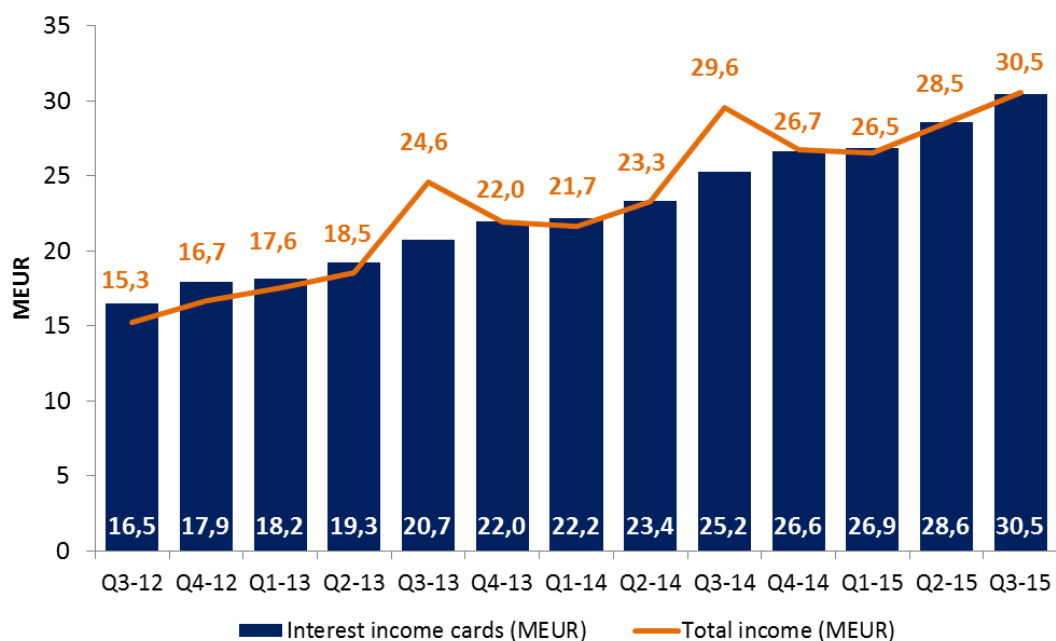
Marc Hentgen
Chief Executive Officer

Appendix: Development of key performance indicators

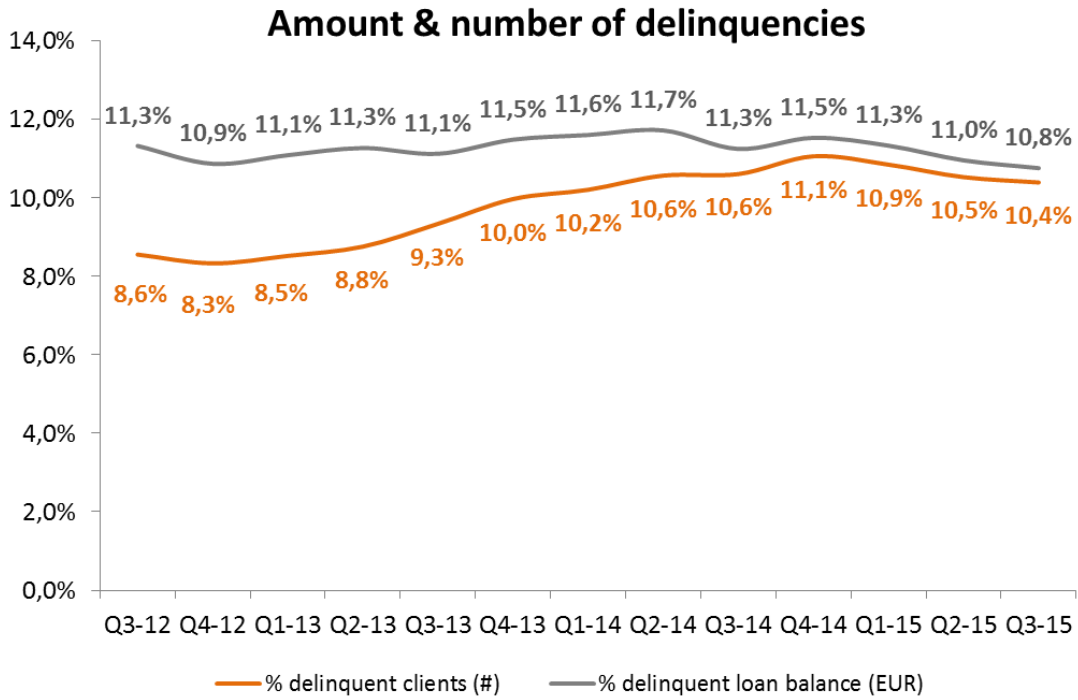
Non delinquent active clients & credit card loan balance



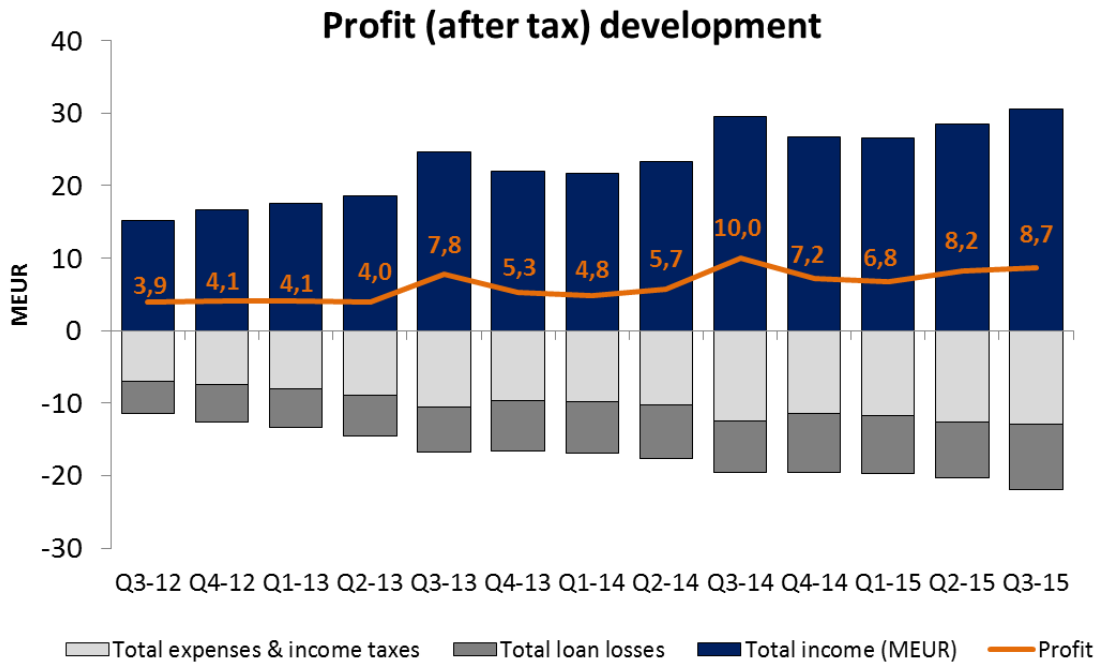
Interest income credit cards & total income



The Q3 2013 and Q3 2014 income are influenced by income shift transactions.



Delinquent clients/amounts are defined as being 60 days or more past due.



The Q3 2013 and Q3 2014 income are influenced by income shift transactions.

Appendix: Shareholding

There were no movements or changes in the distribution of shares during the quarter. Kistefos AS is the largest shareholder with 60.3%. Other shareholders hold below 10% individually.